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Japan Certifies U.S. Testing Firms

The Japanese government took another step recently to simplify import procedures by empowering two major U.S. product testing companies to conduct safety checks on certain products U.S. companies hope to sell in Japan. Manufacturers of consumer appliances and handtools, along with U.S. producers in general, have long complained that expensive and lengthy Japanese safety certification procedures constitute a significant nontariff barrier. This most recent move by Tokyo should quiet much of the discontent and lead more U.S. companies to try to penetrate the Japanese market.

While Japanese product standards have often been the focus of the bilateral debate, testing and certification requirements have roused more intense passions as the Japanese were accused of treating foreign and domestic businesses unequally. Prior to May 1983, most foreign companies seeking the Japanese government's stamp of approval on their products had to submit their products through a Japanese partner. Only in certain cases was it possible for foreign firms to apply directly to the Ministry of International Trade and

which the writers would prefer to see based on more stable exchange rates and free capital markets. Maintaining that the debts of the developing countries are the direct result of domestic policies -- often mandated by multilateral institutions -- and the breakdown of the international monetary system, the Republicans propose that revision of the international monetary system will stabilize trade relations so that debtor nations can meet their loan commitments.

The GOP will uphold its commitment to continued regulatory reform; President Reagan has "contributed significantly to economic recovery by removing bureaucratic roadblocks and encouraging efficiency," the platform declares. Policies will encourage, rather than hinder, innovative competition in telecommunications and financial services. Underscoring its belief that technological innovation is best left to an unbridled private sector, the party will also propose extending the incremental research and development tax credit and revising U.S. antitrust law to permit American firms to cooperate in joint research and development projects.

The Republicans' fundamental distrust of Soviet behavior pervades their discussions of U.S. policy toward Latin America, Europe and the Middle East. Although consideration of U.S. policy toward East Asia comes much further down the list, Japan is considered central to our foreign policy mission in the Far East. Moreover, relations with this important Pacific ally "have never been better," the platform notes. Although Japan is urged to further expand its contribution to the region's defense, the GOP nevertheless applauds Tokyo's commitment to defend its territory, air space, and sealanes, and is heartened by its increase in defense spending. The party is optimistic that with goodwill on both sides, broader agreement on the trade front is likely.

Barbara Wanner

Bilateral Economic Discussions To Resume

Trade negotiators for the United States and Japan started preparations this week for a September round of consultations on a wide range of economic subjects, but with elections approaching in both countries, the lull in bilateral relations that has stretched through the summer is unlikely to be broken. Deputy United States Trade Representative Michael B. Smith and the vice minister for international affairs at the Ministry of International Trade and Industry (MITI) will resume their long-running dialogue on Japanese industrial policy and its impact on trade. Also on the September agenda is another meeting of the High Technology Working Group, where representatives are expected to look at how Tokyo is following up on its commitment to expand trade opportunities in Japan for American semiconductor manufacturers (see JEI Report No. 44B, November 18, 1983).

Scheduled as well is a meeting of the executive council of the Trade Facilitation Committee, which is co-chaired by Under Secretary of Commerce for International Trade Lionel H. Olmer and the MITI vice minister for international affairs. Here, the main topic of discussion is likely to be greater U.S. access to the deliberations of the Industrial Structure Council, a private sector group that advises MITI (see JEI Report No. 12B, March 23,

1984). At this time, Washington is particularly interested in the work of the council's subcommittees on pulp and paper, chemicals and high techonology.

The September consultations will be capped by a meeting of subcabinet-level economic officials, with Under Secretary of State for Economic Affairs W. Allen Wallis heading the American delegation and Deputy Foreign Minister Moriyuki Motono leading the Japanese side. The group's broad representation of government agencies could lead to a free-wheeling review of bilateral economic issues, but the major agenda item will be implementation of Japan's April market access package and its May series of initiatives on foreign access to Japanese capital markets and yen internationalization. Also on the schedule are reports from the group's subcommittees on trade and investment.

One topic apparently not on the formal agenda for the September consultations is extension of Japan's restraints on car exports to the United States beyond March 1985. Earlier this year, top Reagan administration trade officials were hinting that Washington would not press the Japanese government for a fifth year of restrictions, in part because of the large bonuses paid to U.S. auto executives. Recently, though, these officials have started to backpedal on the renewal issue. In early August, for example, Secretary of Commerce Malcolm Baldrige said that the administration would not take a stand on extending the restraints until U.S. car makers complete labor negotiations with the United Auto Workers union and their full-year financial results are available. While admitting his previous lack of enthusiasm for an extension, Mr. Baldrige maintained that he had not made up his mind. "We all need to keep our minds open until the year-end results are in," he said, adding that it will take more than one good year for U.S. auto makers to recover the losses from three bad sales years.

Missing also from the discussion agenda is an issue that has been a fixture of bilateral meetings for the past two years: Japan's beef and citrus quotas. On August 14, the Japanese Ambassador to the United States, Yoshio Okawara, notified United States Trade Representative William E. Brock of the final details of the steps Tokyo is taking to increase imports of beef, oranges and orange and grapefruit juice. Negotiators had worked a tentative agreement in early April (see JEI Report No. 15B, April 13, 1984), but a final pact hinged on clarification of Japan's concessions.

One stumbling block was disagreement over how the 27,600 metric ton increase in the beef quota would be apportioned over the four years through FY 1987. Japan has now agreed to adhere to a schedule of equal annual increases of 6,900 metric tons, rather than simply saying it will import an additional 27,600 metric tons of beef by March 31, 1988. The government also said that, until grapefruit juice imports are decontrolled on April 1, 1986, it will issue import licenses for any amount of purchase; previously, it had suggested that the licenses would be based on "actual" domestic demand. (The full text of the Japanese government's measures follows.)

Appendix: Japan's Concessions on Beef and Citrus Imports

I. Fresh Oranges and Orange Juice

A. Fresh Oranges

(1) The government of Japan will increase its import quotas on fresh oranges in accordance with the following schedule:

FY 1984	93,000 metric tons
FY 1985	104,000 metric tons
FY 1986	115,000 metric tons
FY 1987	126,000 metric tons

For these purposes, "fresh oranges" means oranges and tangerines classified under 08.02 and 08.11 of the Japanese customs tariff schedules.

(2) The government of Japan will allocate the increment in the import quota over the FY 1983 level between the annual quota and the off-season quota, taking into consideration the supply and demand situation in both countries.

B. Orange Juice

The government of Japan will increase its import quotas on orange juice in accordance with the following schedule:

FY 1984	7,000 metric tons
FY 1985	7,500 metric tons
FY 1986	8,000 metric tons
FY 1987	8,500 metric tons

For these purposes, "orange juice" means 5 to 1 concentrate or equivalent, classified under 20.07-111, 20.07-121, 20.07-131 and 20.07-141 of the Japanese customs tariff schedules.

II. Grapefruit Juice

The government of Japan will eliminate import quotas and licensing requirements on grapefruit juice on April 1, 1986.

In preparation for the elimination, the government of Japan will issue licenses for imports to meet any amount of domestic demand for FY 1984 and FY 1985.

For these purposes, "grapefruit juice" means grapefruit juice classified under 20.07-112, 20.07-122, 20.07-132 and 20.07-142 of the Japanese customs tariff schedules.

III. Beef

A. The government of Japan will exert efforts to exploit the demand for high-quality beef with a view to realizing in FY 1987 the importation of

58,400 metric tons of high-quality beef, within the special and general quotas on a global basis. The increase of 27,600 metric tons over the FY 1983 level will be phased in incrementally in even amounts each year.

"High-quality beef" will be defined according to the definition agreed to in April 1978.

B. The hotel quota will be increased from the current 3,000 metric tons per year to 4,000 metric tons per year in FY 1984 and will be maintained at that level through FY 1987.

C. The government of Japan will introduce a new measure in the Livestock Industry Promotion Corp.'s (LIPC) transactions in beef so as to facilitate consultations between foreign suppliers and Japanese users, within the framework of the principle of unified management of beef importation by the LIPC.

IV. Beef (Customs Duties)

A. The government of Japan has no intention to initiate any increase in the customs duty on beef (02.01-111, 02.01-119, 02.01-121, 02.01-129 and 02.01-139 of the Japanese customs tariff schedules), which is currently set at 25 percent, under the present price stabilization system of beef.

B. In the event that a situation makes it impossible to maintain the customs duty on beef at the above mentioned level, the government of Japan will notify the United States government of such developments in advance where possible and be prepared to enter into consultations with a view to reaching a mutually acceptable solution, which may include the possibility of appropriate adjustments of the GATT concessions.

V. Other

The government of Japan will be prepared to consult with the United States government at a mutually convenient time during FY 1987 on matters related to the importation in FY 1988 and thereafter concerning fresh oranges, orange juice and beef.

Susan MacKnight

Notes

• Cray Research, Inc. received a license August 15 to export a $12 million X-MP supercomputer to Nippon Telegraph and Telephone Public Corp. (see JEI Report No. 32B, August 17, 1984). The system was airfreighted to Japan the next day.

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The views expressed in this report are those of the authors and do not necessarily reflect those of the Japan Economic Institute.

Trade and Payments Data
(in millions of dollars unless otherwise indicated)

	1982	1983	January-June 1983	January-June 1984	April 1984	May 1984	June 1984
Japan's Balance of Payments							
Trade Balance	$ 18,079	$ 31,454	$12,880	$19,284*	$ 3,902*	$ 2,944*	$ 4,845*
Exports (f.o.b.)	137,663	145,468	69,000	81,616*	14,284*	14,087*	14,649*
Imports (f.o.b.)	119,584	114,014	56,120	62,332*	10,382*	11,143*	9,804*
Current Account Balance	6,850	20,799	7,645	14,575*	3,524*	1,861*	4,384*
Long-Term Capital (net)	-14,969	-17,700	-6,205	-20,185*	-4,423*	-3,724*	-6,229*
Overall Balance	-4,971	5,177	2,069	-8,332	-1,785	-1,223	-2,254
International Reserves (end of period)	23,262	24,496	24,782	25,208	25,321	25,323	25,208
Japan's Customs Clearance Trade							
Trade Balance	6,900	20,534	7,456	13,530*	3,109	1,855	4,022*
Exports (f.o.b.)	138,831	146,928	69,408	82,506*	14,449	14,299	14,745*
Cars	18,015	19,535	9,766	10,934*	2,305	2,021	1,819*
Steel	15,645	12,843	6,084	6,496*	1,048	1,102	1,146*
Imports (c.i.f.)	131,931	126,393	61,952	68,977*	11,340	12,444	10,723*
Crude Oil	46,274	40,063	20,508	20,350*	3,191	3,554	2,751*
Japan-U.S. Trade							
Trade Balance	12,151	18,181	7,074	14,524*	3,013	2,656	3,032*
Exports (f.o.b.)	36,330	42,829	18,934	27,950*	5,141	5,082	5,223*
Imports (c.i.f.)	24,179	24,648	11,860	13,426*	2,128	2,426	2,191*
Yen-Dollar Exchange Rate							
Tokyo Spot Market (end of period)	Y235.00	Y232.20	---	---	Y226.00	Y231.50	Y237.50
U.S.-Japan Trade							
Trade Balance	-16,778	-19,289	-9,072	-15,453	-2,766	-2,903	-2,473
Exports (f.a.s.)	20,966	21,894	10,041	11,585	1,872	1,987	2,031
Industrial Supplies	9,173	8,734	4,175	4,478	691	726	836
Food and Feed	4,971	5,555	2,430	2,982	527	509	469
Capital Goods	4,434	5,116	2,318	2,774	449	539	450
Consumer Goods	1,356	1,394	687	721	110	115	141
Imports (Customs)	37,744	41,183	19,113	27,038	4,638	4,889	4,505
Automotive Products	12,890	14,919	7,167	9,019	1,372	1,907	1,533
Industrial Supplies	6,795	5,391	2,513	3,532	645	565	543
Consumer Goods	7,842	8,296	3,707	5,185	962	843	863
Capital Goods	9,530	11,896	5,405	8,900	1,594	1,511	1,500

*Preliminary

Japanese Economic Indicators

(percentage change from year-earlier period unless otherwise indicated)

	1982	1983	January-May 1983	January-May 1984	March 1984	April 1984	May 1984
Discount Rate (end of period)	5.5%	5.0%	5.5%	5.0%	5.0%	5.0%	5.0%
Outstanding Money Supply	9.2%	7.4%	7.6%	7.9%	8.4%	7.7%	7.6%
Industrial Production	0.3%	3.6%	0.0%	11.3%	10.3%	11.0%	12.5%
Manufacturing Operating Rate	-2.9%	1.6%	-1.9%	9.6%	7.5%	9.4%	11.3%
Number of Bankruptcies	-2.8%	11.9%	5.2%	19.8%	15.5%	17.4%	24.5%
Residential Construction Starts	-0.5%	-0.8%	-0.8%	5.3%*	5.6%	10.9%	16.8%*
Job Openings to Applications (ratio)	0.61	0.60	0.59	0.64	0.64	0.64	0.64
Nominal Wages	4.5%	3.5%	4.9%	4.4%	5.2%	5.4%	4.2%
Labor Productivity	1.0%	4.6%	-0.3%**	10.0%**	9.2%	n.a.	n.a.
Wholesale Prices	1.8%	-2.2%	-1.2%	-0.9%	-1.3%	-0.7%	-0.1%
Consumer Prices	2.7%	1.9%	2.2%	2.3%	2.5%	2.4%	2.0%
Yen-Based Export Prices	3.9%	-6.0%	-5.3%	-1.1%	-1.9%	-2.0%	-0.1%
Yen-Based Import Prices	7.9%	-7.8%	-2.9%	-5.5%	-6.4%	-5.7%	-2.0%

*Preliminary
**Through March of each year only.

For Japan's most recent GNP figures, see JEI Report No. 25B, June 29, 1984.